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UNCLAS SECTION 01 OF 02 ASUNCION 000484

SIPDIS

STATE FOR WHA/BSC AND EB/IFD/OIA  
STATE PASS TO USAID FOR LAC/AA  
STATE PASS TO USTR FOR SCRININ AND LYANG  
NSC FOR KIM BREIER  
TREASURY FOR OSIA MAUREEN WAFER  
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR  
COMMERCE FOR ITA SARAH COOK  
SOUTHCOM FOR POLAD DAN JOHNSON

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [PBTS](#) [SCUL](#) [TINT](#) [PINR](#) [PA](#)

SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE, APRIL 2-7

1. Summary:

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--Paraguay and Brazil sign agreement to quell border control dispute  
--New poll shows deterioration in Duarte's image  
--Controversy over Duarte's decision not to attend Papal funeral  
--Government-owned phone company introduces wholesale Internet service

Paraguay and Brazil sign agreement to quell border control dispute

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12. On April 16, FM Rachid signed an agreement with Brazilian Ambassador Valter Pecly Moreira to increase the amount of purchases made by Brazilian tourists in Ciudad del Este from USD150 to USD300. The GOP had originally asked to raise the figure to USD500. Other key points in the agreement call for strict control of the Friendship Bridge (connecting Paraguay and Brazil) to eliminate contraband and third-party sales, Paraguayan issuance of legal receipts for purchases over the USD300 limit, infrastructure improvements to immigrations and customs controls on both side of the bridge, and for a ban of merchandise transit from Paraguay to Brazil after 1900 hours.

New poll shows deterioration in Duarte's image

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13. A poll by the Opinion Studies Group (GEO), commissioned by the daily La Nacion, released on April 3 claims that President Duarte's popularity has declined rapidly over the past six months. Only 11.9% of respondents rated the president's performance as "good," 36.9% rated it as "bad" or "very bad," and another 48.6% rated it "regular," which can carry from neutral to mildly pejorative connotations in Paraguay. Duarte rejected the poll's results, producing an alternative poll from a rival firm showing a 58% approval rating. Duarte's popularity has been under pressure for the last several months, especially in the wake of the GOP's inability to solve the Cecilia Cubas kidnapping before her murder. However, both polls raise methodological concerns. The government's poll did not come with data on how respondents were surveyed, and the GEO poll only surveyed registered voters in Asuncion and the immediate surrounding area.

Controversy over Duarte's decision not to attend Papal funeral

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14. On April 5, President Duarte's office announced that Vice-President Luis Castiglioni would head the official Paraguayan delegation to the funeral of Pope John Paul II. The announcement aroused opposition in the press and among the Congressional opposition, who said it was inappropriate for the President of one of the world's most heavily Catholic countries not to attend personally. (Within the Southern Cone, only Brazil and Bolivia will be represented by heads of state. The Argentine, Chilean, and Uruguayan presidents are sending either vice-presidents or cabinet ministers as representatives.) Several journalists highlighted their disappointment by pointing out that John Paul had received Duarte enthusiastically at the Vatican last October. Duarte's relations with the Catholic Church have been uneven during his nearly two years in office, with reports of tension between the president and the hierarchy arising from Duarte's attendance at an evangelical Mennonite church. Conversely, Castiglioni is reportedly a devout Roman Catholic.

Government-owned phone company introduces wholesale Internet service

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15. The Paraguayan Communications Company (COPACO), the state-owned telephone provider, announced that during the first half of April it will begin selling wholesale Internet access to Paraguayan service providers (ISP). COPACO, which over the last few years has been hostile to the growth of the Internet in Paraguay, signed an agreement with Telefonica of Argentina, and will route its traffic through Buenos Aires to the U.S. Internet backbone in Miami via undersea cable.

Presently, Paraguayan ISPs can only connect to the global Internet backbone by satellite, making Internet access fees here among the highest in Latin America.

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